

# Fairfax County Economic Index

Volume VIII, Number 12

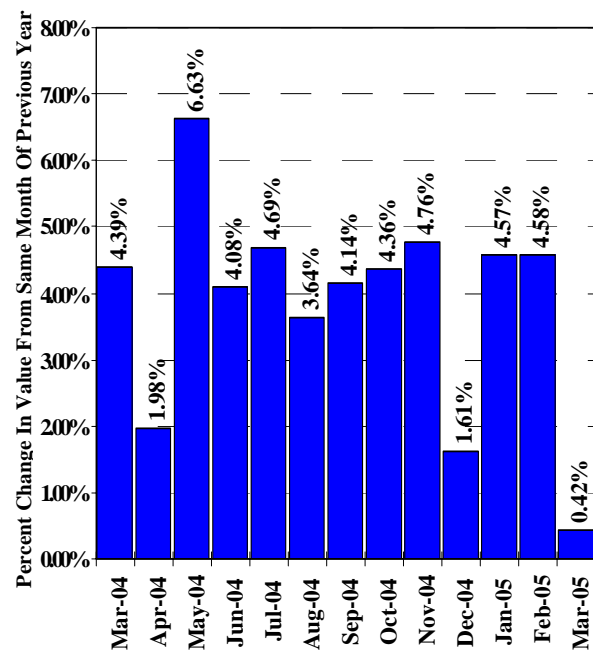
May 2005

## The County's Economic Expansion Slows for Second Month, Outlook Remains Good

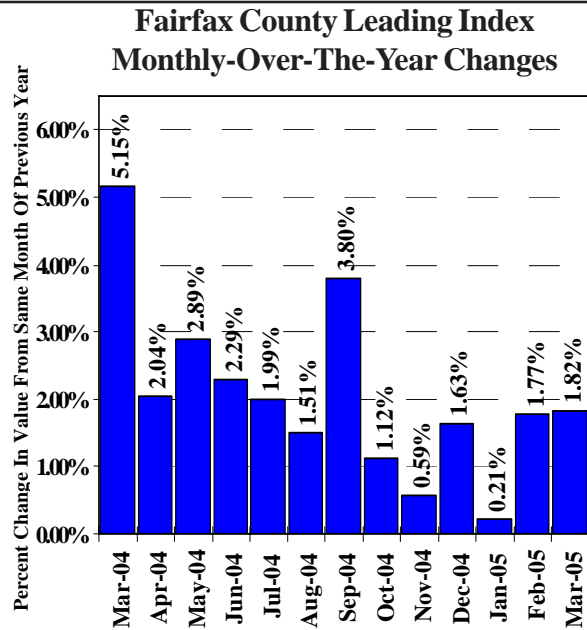
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased to 130.84 in March for a marginal loss of 0.07 percent. With this decline, the Index has decreased in four of the past five months. However, on a monthly over-the-year basis, the Index continued to increase extending its positive trend to a sixteenth consecutive month. In March, it was 0.42 percent higher than in March 2004. Two of the Coincident Index's four components were negative in March.

- Transient occupancy tax collections, adjusted for inflation and seasonal variation, were down for the fourth time in five months; and,
- Total employment, reflecting revision for 2003 and 2004, declined marginally for a fifth consecutive month; while,
- Consumer confidence (in the present) increased for the fourth time in five months; and,
- Sales tax revenues, adjusted for inflation and seasonal variation, were up sharply after declining in February.

**Fairfax County Coincident Index  
Monthly Over-The-Year Changes**



Source: Center for Regional Analysis, George Mason University



Source: Center for Regional Analysis, George Mason University

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to twelve months in advance, increased to 108.9 in March for a gain of 0.44 percent extending its gain to a fourth month. On a monthly over the year basis, March's Index value was up 1.82 percent and has now increased for twenty-four consecutive months. With these gains the Index value has almost re-gained its March 2000 all time peak value. In March, two of the Index's three indicators contributed to its gain.

- New automobile registrations increased in March for the third time in four months although they continued to lag same month 2004 sales; and,
- Initial claims for unemployment insurance decreased (improved) for the fourth time in five months and are down 9 times over the past 12 months; while,
- Consumer expectations (consumer confidence six months hence) decreased for the third time in five months and are now tracking below consumer confidence in the present reflecting growing consumer anxiety about the economy's future.

The Fairfax County economy grew more slowly in March in response to higher energy costs and weaker consumer and business confidence. Still, it out-performed its March 2004 Leading and Coincident Indices. As the economy adjusts to higher energy and interest rate costs, it should accelerate slightly through the middle quarters of the year as indicated by gains in early April indicators. Overall, the strength of the County's economy should enable it to absorb these higher costs and regain its momentum in the coming months.

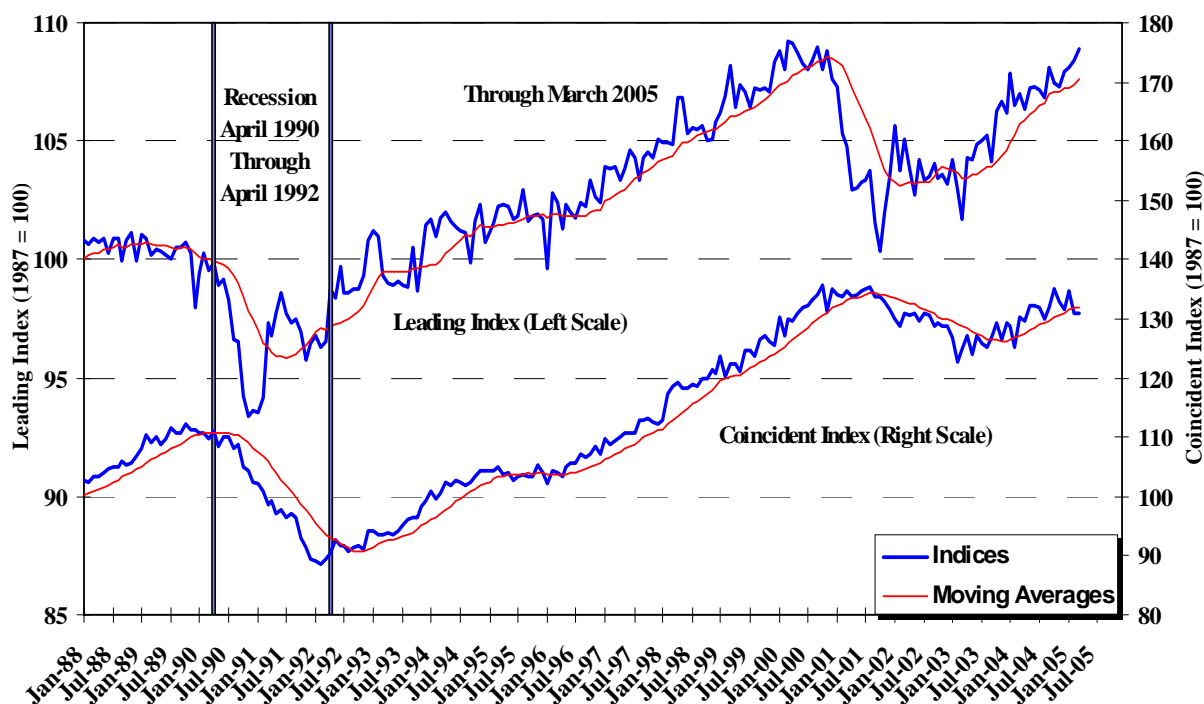
## CURRENT CONDITIONS

After adding new jobs in large numbers over the past two years, job growth in Fairfax County has stabilized over the year's first quarter. Still, the County's labor force indicators remain strong. Unemployment was 2.4 percent in March, well below the region's 3.6 percent rate and initial claims for unemployment insurance continue to drop, declining 6.5 percent below February's level and almost 9 percent below last March's level.

Consumer spending, a major source of economic growth, was strong in March, in spite of the economy's otherwise weaker performance. Sales tax receipts were up 17.9 percent and new automobile registrations increased 6.5 percent. Consumer confidence in the present situation has increased in four of the last five months and is the highest in the Washington region of any region nationwide.

In contrast, consumer expectations have weakened over the year's first quarter underscoring the growing anxiety confronting both consumers and business leaders in the face of higher energy costs, increasing interest rates, and worries concerning inflation and the sustainability of the expansion. These worries should moderate in the coming months as these potential threats to the economy's continuing growth are resolved. Already, energy prices have receded from their March highs, inflation pressures appear to have diminished, and national economic indicators in April have been

## Business Cycle Indicators -- Fairfax County, Virginia



Source: Center for Regional Analysis, George Mason University

stronger. If these favorable trends continue at the national level, local consumer expectations (confidence in the future) should rebound by May or June. In order to sustain the expansion, both the labor market and consumer spending must regain their positive trend over the second quarter.

## NEAR-TERM OUTLOOK

In contrast to the slower growth exhibited in the Coincident Indicators, the County's Leading Index continues to track higher. With its moderate gain in March, the Index extended its upward trend (on a monthly over-the-year basis) to a twenty-fourth month. And, even though the Index's rate of growth has slowed over the past six months, it continues to point towards the economy's expansion extending at least into next year. The parallel tracks of the Leading and Coincident Indices coming out of the 2001 national recession are very similar to their patterns following the 1990-1991 recession. In 1992, the Leading Index's sharp recovery

transitioned into a more moderate growth path and the remainder of the economy followed along for eight years.

The key indicators at this stage of the expansion, as it transitions from an accelerating recovery to sustained growth, will be job creation and consumer spending, positive consumer expectations, and a narrowing of performance variation across all indicators. Rather than seesawing from month to month with gains and losses as has been experienced over the past six months, the range of these performance swings will narrow and become predominately positive. The current sharp gains and losses in the indicators suggest that there are still distortions working their way through the local economy. As these smooth out during the next several quarters, the Fairfax County economy should establish a more regular cadence and sustain this pattern into next year and possibly well beyond depending on major changes or disruptions at the national level. By mid-year, this more settled pattern should become evident.

## Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Mar-05 Prelim.	Feb-05 Final	Mar-04 Final	Feb-05 to Mar-05	Mar-04 to Mar-05
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1987 = 100)	130.84	130.93	130.29	-0.07	0.42
Leading Index (1987 = 100)	108.90	108.43	106.96	0.44	1.82
<b>Fairfax County Coincident Index Components</b>					
Estimated Total Wage & Salary Employment (Seasonally Adjusted)	602,012	602,808	602,723	-0.13	-0.12
<i>Estimated Total Wage &amp; Salary Employment (Unadjusted)</i>	<i>597,280</i>	<i>594,851</i>	<i>597,986</i>	<i>0.41</i>	<i>-0.12</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	723	767	637	-5.70	13.46
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>1,368</i>	<i>1,383</i>	<i>1,157</i>	<i>-1.12</i>	<i>18.22</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	9,691	8,218	10,233	17.93	-5.29
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>12,286</i>	<i>10,741</i>	<i>12,572</i>	<i>14.38</i>	<i>-2.27</i>
South Atlantic Consumer Confidence	142.6	138.0	112.7	3.33	26.53
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	6,367	5,980	7,211	6.47	-11.71
<i>Automobile Registrations (Unadjusted)</i>	<i>6,470</i>	<i>4,798</i>	<i>7,328</i>	<i>34.85</i>	<i>-11.71</i>
Initial Unemployment Claims (Seasonally Adjusted)	863	934	1,182	-7.54	-26.95
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>946</i>	<i>1,012</i>	<i>1,295</i>	<i>-6.52</i>	<i>-26.95</i>
South Atlantic Consumer Expectations (Unadjusted)	107.9	109.2	99.3	-1.19	8.66
<b>Fairfax County Labor Force</b>					
Total Labor Force (Seasonally Adjusted)	580,764	579,936	579,944	0.14	0.14
<i>Total Labor Force (Unadjusted)</i>	<i>577,883</i>	<i>574,665</i>	<i>577,067</i>	<i>0.56</i>	<i>0.14</i>
Employed Labor Force (Seasonally Adjusted)	566,111	565,000	566,224	0.20	-0.02
<i>Employed Labor Force (Unadjusted)</i>	<i>563,987</i>	<i>560,019</i>	<i>564,100</i>	<i>0.71</i>	<i>-0.02</i>
Unemployed Labor Force (Seasonally Adjusted)	14,653	14,937	13,720	-1.90	6.80
<i>Unemployed Labor Force (Unadjusted)</i>	<i>13,896</i>	<i>14,646</i>	<i>12,967</i>	<i>-5.12</i>	<i>7.16</i>
Unemployment Rate (Percent, Seasonally Adjusted)	2.52	2.58	2.37	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>2.40</i>	<i>2.55</i>	<i>2.25</i>	<i>--</i>	<i>--</i>

Notes: Where available, seasonally adjusted estimates are used in the indices. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data. In September 2004, the Transient Occupancy Tax was increased from 2% to 4%. All original values prior to September 2004 were doubled for consistency.

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We are on the web at:  
[www.co.fairfax.va.us/comm/  
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)

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